



ATTENDANCE NOTE

10TH NOVEMBER 1990

KENNAMETAL UK

Meeting Kennametal UK - Kingswinford.

PRESENT: ACD, Philip Ferraz and Gordon Mortimer.

PF introduced me to Gordon Mortimer and explained that the other Engineer David Bardsley C & E want to interview is in Ulster at present. I explained I had been called in via Buchanan Ingersoll, the corporate lawyers for Kennametal Inc with whom Edge & Ellison were associated.

PF ran through those points which H M Customs and Excise were interested in namely:-

1. Contract with Matrix.
2. The actual tooling supplied.
3. The machinery it was for.
4. What can be manufactured with the tooling.
5. Kennametal's contacts at Matrix.
6. Whether Kennametal had trained any Iraqi/Chilean personnel.
7. Whether Kennametal had made visits to Iraq.
8. Whether Kennametal directly/indirectly knew or had an over view or what the contract was for.

Steven Dunn of C & E had advised PF that Matrix had claimed their equipment was for civil and industrial purposes on the export licence when they knew it was for military purposes. Matrix were a major customer of Kennametals. ✓

DOCUMENTS

We discussed what documents and drawings Kennametal had retained in their possession. Matrix had asked them to return all original drawings supplied by Matrix. Kennametal had retained their own working drawings on their computer system. This could

be transferred to hard copies, it will take some time. ACD advised that all potential relevant documentation relating to the contract should be secured by Gordon Mortimer and then handed over to ACD. Apparently at present there are no hard copies of the drawings which are on Kennametal's computer system. It was agreed that for the time being this should remain so. Therefore, when questioned by C & E, Kennametal can say that they preserved all documentation and demonstrate their computer system to C & E and there can be no question of any subsequent interference or alteration following the C & E enquiries.

GM confirmed that it would take him a few days to collect together all of the information as it may be in different locations. He would then deliver it to ACD.

THE PRODUCTS SUPPLIED

GM confirmed that there was nothing special about the equipment they had made for Matrix. The fixture was to Matrix's specification and the tooling was designed for a specific part. The part would make "fuse holders". Kennametal did not know the size. It was for 20 machines. All the equipment was supplied to Matrix at their Coventry premises. They did have there an Iraqi who was inspecting the machines to accept them. However, GM was quite adamant that no training had been given to any personnel at Matrix whether English or foreign.

Kennametal are one of approximately 12 companies in the UK who custom make such machinery but the technology was not special to Kennametal. Kennametal had supplied comments on the drawings explaining how the machinery should be used but this was part of their standard design package. There was nothing extraordinary about this.

PREVIOUS CONTACTS WITH MATRIX

Some three years ago, Kennametal had supplied and delivered to Matrix in Coventry tooling to machine 155mm and 135mm shells. This contract had been known as the Huteen Project. This was the name of the ordnance factory out in Iraq. So far as they were aware Matrix had obtained all of the necessary export documentation for this contract. Further, Matrix do a lot of work for the Ministry of Defence in the UK.

At that time Matrix had been part of the TI Group. They then joined with Churchill and then there had been a management buyout which resulted in the company being Iraqi owned.

Since the Huteen Project, Kennametal had appointed Contract 600 Limited as their Agents in Baghdad. However Contract 600 had only been asked to provide management support in respect of standard projects in Iraq and no technical support whatsoever. This was when Kennametal itself had sold equipment to Contract 600 Limited and shipped out the machinery to Iraq. Kennametal

had obtained the necessary export licences. This was all historical but it was important to show this in all Kennametal's previous dealings with Matrix. Kennametal had acted entirely properly in connection with export control.

CARDOEN PROJECT (Alleged supergun)

Kennametal's contact with Matrix had been through Gordon Mortimer and David Bardsley. At Matrix they had not dealt with any directors. Their contacts had been the Purchasing Manageress Anne Wright who reported to a Tony Morgan who was not a director and the Applications Manager Steven Davis and a Mark Marsland in the Applications Department.

Matrix had a number of outstanding orders with Kennametal which Kennametal had not progressed since May.

The equipment which Kennametal had supplied to Matrix had been properly described on all of the documentation and value added tax had been charged as would be expected regarding suppliers from one UK company to another.

ACD outlined the earlier advice which had been given by Paul Lee of Edge & Ellison to Susanne Cook of Buchanan Ingersoll which was protected from disclosure by virtue of legal privilege.

ACD confirmed that her preliminary view from the information obtained to date was that Kennametal had not in any way contravened UK export controls as a company nor had any of its officers or employees committed any offences.

The relevant section was section 68 of the Customs and Excise Management Act 1979 which provided that a person had committed an offence if they had been knowingly concerned in the exportation or attempted exportation of any goods prohibited or restricted by the Export of Goods Control Orders. It is an offence to make any statement or furnish any document or information which to a person's knowledge is false in a material particular or to make any statement or furnish any document or information which is false in a material particular for the purpose of obtaining any licence or permission under an export control order for the exportation of any goods requiring a licence.

ACD also advised on what to do if any person is arrested and detained by H.M.C. & E.

ENGAGED:

Travel: 45 minutes.

Meeting: 1 Hour. ~~30 minutes~~